

**DATE:** January 30, 2001  
**TO:** Senator Ackerman  
**FROM:** Senate Republican Fiscal Office

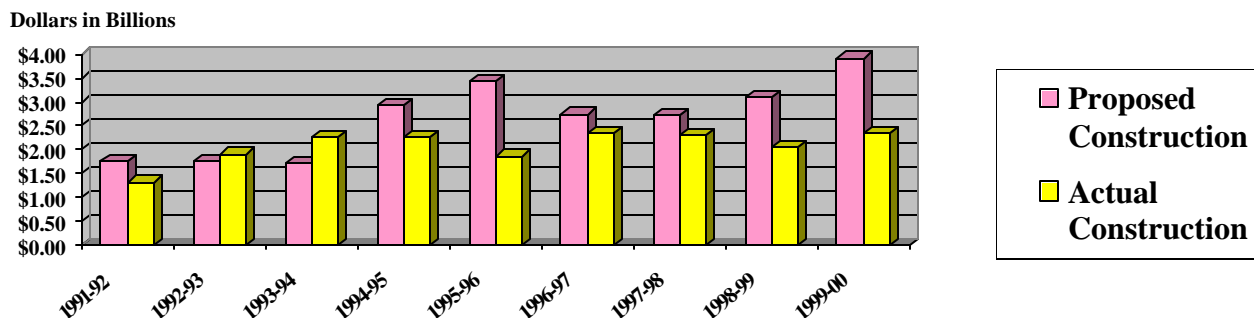


**SUBJECT: The 2001-02 Governor's Budget Does NOT Address Major Problems at Caltrans**

The 2001-02 Governor's Budget proposes \$9.6 billion for Caltrans, which constitutes an increase of \$1.3 billion, or 15 percent above the 2000 Budget Act. Unfortunately, the Budget fails to address adequately several structural problems at Caltrans.

**CALTRANS HAS FAILED TO ACHIEVE CAPITAL CONSTRUCTION GOALS**

The 15-percent increase proposed for Caltrans probably will *not* help with California's massive traffic gridlock problems. As the chart below shows, for the last four years, Caltrans has consistently failed to deliver the projects and achieve funding levels proposed in its capital outlay budget. For example, actual spending in 1999-00 (the last year for which actual data is available) was only 60 percent of what had originally been proposed. As a result, the cash balance in the State Highway Account increased from \$1.3 billion in 1996-97 to \$2.4 billion in 1999-00. This is money that *should* be used for congestion relief.



**EXCESS VACANCIES STILL HINDER PROJECT DELIVERY**

Senate Republicans have pointed out that many state departments have budgeted funds for vacant positions. Caltrans has made some progress toward eliminating this budgeting "shell game". In 1999-00, Caltrans had 637 "excess" vacancies, a significant improvement compared to the 997 in 1997-98. Nevertheless, with over 40 percent of these excess vacancies in the capital outlay support program, it seems unlikely that Caltrans will significantly improve its ability to deliver new projects this year.

**NO VIABLE PLAN TO AGGRESSIVELY CONTRACT OUT**

Until November of 2000, Caltrans was constitutionally prohibited from contracting out engineering and design work, thus adding to its problems with project delivery. With the enactment of Proposition 35, however, this impediment has been removed. Unfortunately, the Caltrans budget does not identify any detailed plan for moving forward aggressively with contracting out. Without such a plan, project delivery will continue to lag. Therefore, Caltrans should report early in the legislative budget process on its detailed plans to contract out, and their implications for improved project delivery.

**UPDATE ON THE TRAFFIC CONGESTION RELIEF ACT OF 2000 (TCRA)**

Traditionally, Caltrans has received very little General Fund support. Last year, the Legislature and Governor broke with traditional funding orthodoxy and enacted the TCRA, which will appropriate \$6.9 billion in General Fund revenue over a six-year period to attempt to relieve traffic congestion. The table below displays the General Fund resources devoted to the TCRA and the allocation of these resources in the current and budget years, as well as for the entire six-year period. Note that the revenue estimate for the sales tax on gasoline has increased, due mostly to higher than forecast prices and continued high demand for gasoline.

## Traffic Congestion Relief Act (TCRA) Funding

### General Fund (dollars in millions)

	2000-01	2001-02	6-Year Total
<b>Resources</b>			
Budget Act Appropriation	\$1,500	--	\$1,500
Redirection of Revenue from Sales Tax on Gasoline	500	\$1,105	6,710
Original Estimate		(948)	(5,383)
Increase Reflected in Governor's Budget for 2001-02		(157)	(1,327)
<b>Use of Funds</b>			
Designated Traffic Congestion Relief Projects	\$1,600	\$678	\$4,990
State Transportation Improvement Program		\$171	\$1,128
Local Streets and Roads Maintenance	\$400	\$171	\$1,528
Public Transportation Account		\$85	\$564
<b>Totals</b>	<b>\$2,000</b>	<b>\$1,105</b>	<b>\$8,210</b>

The TCRA raises the following major issues:

- ***Over-emphasizes transit at the expense of highway projects.*** Of the projects programmed in the TCRA, 64 percent are allocated for rail, transit, and other miscellaneous projects, while only 36 percent funds highway projects. This runs counter to California's transportation needs because 95 percent of commuters use their cars to get to and from work. Moreover, this approach merely aggravates Caltrans' continuing misguided pro-transit bias. Over the past 15 years, California has spent billions of dollars on public transportation yet only increased ridership by less than a one-percent.
- ***Sets a bad precedent by politicizing transportation planning.*** By designating more than half of the new funds to specific projects, the TCRA threatens California' longstanding policy of apolitical, professionalized transportation planning, as reflected in the locally-driven STIP process.
- ***Does not go far enough in investing General Fund in congestion relief.*** In December of 2000, the Senate and Assembly Republican caucuses proposed an additional \$500 million General Fund investment in local streets and roads and endorsed the 20/20 Vision Plan, which calls for a major, long-term commitment of General Fund resources in various public works, including transportation. The first-year cost of the 20/20 Vision plan would be \$500 million.
- ***Excessive delays in approving new projects.*** The LAO and others have noted that California's environmental approvals result in lengthy delays not faced by other states. Last year, Assembly Republicans proposed reforms to cut unnecessary red tape and speed the approval of new construction.

## GRIDLOCK REMAINS A MAJOR ISSUE

Gridlock on California's highways cost commuters 836,000 hours in daily traffic jams at an estimated cost of \$7.8 million per day. In the past 25 years, California has experienced a 60-percent increase in population growth, however, highway construction has come to a virtual halt. California was once the trailblazer in highway construction. Now the state ranks 43<sup>rd</sup> among all states in highway spending. Only 64 miles of center-road highway lanes have been constructed in the past quarter century, which is less than a one-percent increase. Addressing these problems will require both increased funding and reforms at Caltrans.

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